

Message Text

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PAGE 01 DAR ES 00858 111155Z

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ACTION EB-07

INFO OCT-01 AF-06 ISO-00 COME-00 CIEP-01 TRSE-00 L-03

JUSE-00 SCS-03 SCA-01 /022 W
----- 088329

R 111040Z MAR 76

FM AMEMBASSY DAR ES SALAAM

TO SECSTATE WASHDC 0955

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E.O.11652: N/A

TAGS: EINV, ETRD, TZ

SUBJECT: COMPENSATION FOR EXPROPRIATED PROPERTY

REF: STATE 53320

1. MEETING BETWEEN EX-OWNERS' LEGAL AND EMBASSY REPS AND TANGOV OFFICIALS TOOK PLACE MAR 10. UNFORTUNATELY, CHAIRMAN, TREASURY REGISTRAR JANGUO, WAS ABSENT. GOVT EVALUATOR EXPLAINED THAT COMPENSATION OFFERS FOR COFFEE ESTATES WERE BASED ON POTENTIAL PROFITABILITY. THIS ASSESSED BY TAKING AVERAGE VALUE OVER FIVE YEARS OF ACTUAL COFFEE PRODUCTION MINUS PERCENTAGE FOR COSTS OF PRODUCTION INCLUDING OWNER'S SALARY (80 PERCENT USED AS EXAMPLE). NET FIGURE OR PROFIT THEN MULTIPLIED BY CAPITALIZATION RATE (REPORTEDLY, FACTOR OF 4 IS STANDARD). ACTUAL FIGURES IN SPECIFIC CASES WERE NOT DISCLOSED.

2. BRITISH DEP HI COM SIAD THIS METHOD ACCEPTABLE AS STARTING POINT BUT TANGOV MUST BE FLEXIBLE. HE NOTED MANY FARMS RUN AS WAY OF LIFE AND NOT NECESSARILY TO MAXIMIZE PROFITS. FIXED AND MOVABLE ASSETS SHOULD BE TAKEN INTO ACCOUNT.

3. EMBASSY ECONOFF, DRAWING ON GUIDELINES PROVIDED BY DEPT. SUPPORTED POINTS MADE BY BRITS AND USED VON ZASTROW'S COMPLEMENTARY SAFARI BUSINESS AND ASSETS AS EXAMPLE.

4. TANGOV OFFICIALS RESPONDED THEY HAD BEEN FLEXIBLE AND
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PAGE 02 DAR ES 00858 111155Z

GENEROUS IN ASSESSMENTS. IN ANY EVENT, THEY WILLING NEGOTIATE

IF OFFER CONSIDERED UNSATISFACTORY. ATTORNEY HANDLING BULK OF CLAIMS COUNTERED THAT NEGOTIATIONS RE REJECTED OFFERS HAD BEEN SUSPENDED SIX MONTHS AGO AND HE HAD SINCE BEEN TRYING TO MEET WITH TANGOV TO DISCUSS LARGE NUMBER SUCH DISPUTED CASES. OFFICIALS REQUESTED HIM PROVIDE COUNTER CLAIM IN WRITING FOR EACH CASE (WHICH HE WILL DO, INCLUDING FOR VON ZASTROW) AND PROMISED TO THEN MEET.

5. BRITS ASKED FOR NEGOTIATION OF "COMPASSIONATE CASES" IMMEDIATELY FOLLOWING MEETING. TANGOV SIDE DEFERRED DUE ABSENCE TREASURY REGISTRAR.

6. ECONOFF RAISED ISSUE OF DEVALUATION (PARA 2 REFTEL) NOTING THAT SECOND GROSS OFFER TO VON ZASTROW WAS LESS IN DOLLAR TERMS THAN FIRST OFFER. TANGOV OFFICIALS SAID THEY AWARE THIS BUT THAT COMPENSATION IS DETERMINED IN SHILLINGS WITHOUT REGARD CURRENCY FLUCTUATIONS. GOVT EVALUATOR ADDED HIS VIEW THAT ASSESSMENTS WERE GENEROUS ENOUGH TO COMPENSATE FOR LOSS DUE DEVALUATION.

7. MINIFN OFFICIAL THEN CLOSED MEETING WITH PRAISE FOR GOOD WILL AND UNDERSTANDING BY BOTH SIDES, A PROMISE OF PROGRESS, AND A REQUEST THAT DIPLOMATIC MISSIONS RESTRICT FUTURE REPRESENTATIONS TO WORKING LEVEL OF TANGOV.

8. RE PARA 3 OF REFTLE, WE PRESUME TANGOV OFFERS TO VON ZASTROW DERIVED FROM FORMULA DESCRIBED PARA 1 ABOVE. NEITHER WE NOT ATTORNEY HAS SEEN ACTUAL BREAKDOWN. ACCORDING OUR FILES, VON ZASTROW IN 1973 BASED HIS NET CLAIM FOR COMPENSATION OF \$214,000 ON LISTING OF ASETS (EVIDENTLY EVALUATED BY HIMSELF) MINUS LIABILITIES. FOR EXAMPLE, HE VALUED HOUSE AND 13 OTHER BUILDINGS AT \$98,000; COFFEE TREES (34,000) AND OTHER IMPROVEMENTS ON 225 ACRES LAND AT \$106,000; AND TOOLS AND OTHER MOVABLE PROPERTY AT \$10,000. IN ADDITION HE CLAIMING \$8,000 FOR FIREARMS WHICH WERE CONFISCATED BY POLICE AND TO DATE NOT RETURNED.

9. COMMENT: WHILE TANGOV OFFER SEEMS TO US TOO LOW, WE NOT IN A POSITION TO ANALYZE IT IN TERMS VON ZASTROW CLAIM OR "FAIR MARKET VALUE". HOWEVER, ATTORNEY HAS SAID HE WILL PROVIDE US WITH BOTH A VON ZASTROW COUNTER CLAIM AND ON CONFIDENTIAL LIMITED OFFICIAL USE

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PAGE 03 DAR ES 00858 111155Z

BASIS HIS OWN EVALUATION OF MINIMUM ACCEPTABLE FIGURE IN CONTEXT SIMILAR PROPERTIES IN THE AREA AND REALITIES OF TANZANIAN POLICY.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: COMPENSATION, NATIONALIZATION, COFFEE, MEETINGS
Control Number: n/a
Copy: SINGLE
Draft Date: 11 MAR 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: ShawDG
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976DARES00858
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D760092-1033
From: DAR ES SALAAM
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19760372/aaaaclob.tel
Line Count: 111
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 76 STATE 53320
Review Action: RELEASED, APPROVED
Review Authority: ShawDG
Review Comment: n/a
Review Content Flags:
Review Date: 09 JUL 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <09 JUL 2004 by CunninFX>; APPROVED <15 OCT 2004 by ShawDG>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: COMPENSATION FOR EXPROPRIATED PROPERTY
TAGS: EINV, ETRD, TZ, US
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006